MEdPAC Medicare
Payment Advisory
Commission

Home health agency case mix and financial performance

ISSUE: The home health prospective payment system (PPS) uses a case mix system to adjust payments to reflect the relative costliness of episodes of care. The Congress asked us to determine whether agencies with certain case mix levels had better financial performance than others. If the case mix system is inaccurate, the PPS will overpay some agencies and underpay others; thus, finding a relationship between case mix and financial performance could suggest that the case mix system is not performing well.

KEY POINTS: We contracted with Mathematica Policy Research to assist MedPAC staff analysis. The data we considered were cost reports, claims, patient assessments, and provider characteristics.

We used descriptive statistics to explore the relationship of agency location (rural or urban), control (for-profit, voluntary, or government), size (annual number of episodes), region, and case mix to agency Medicare margins.

Our next step was to use a regression model with Medicare margin as the dependent variable. We were trying to explore whether a relationship between case mix and financial performance would persist after other agency characteristics were taken into account. Finally, we added some additional patient characteristics from the patient assessments to the model to examine their contribution to agency financial performance

ACTION: At this meeting, we will present the initial findings of this research and its implications for the home health PPS's case mix system. This report is due to the Congress on December 8, 2005.

STAFF CONTACT: Sharon Bee Cheng (202-220-3712)